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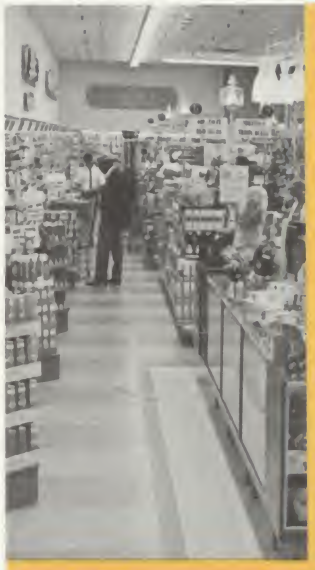
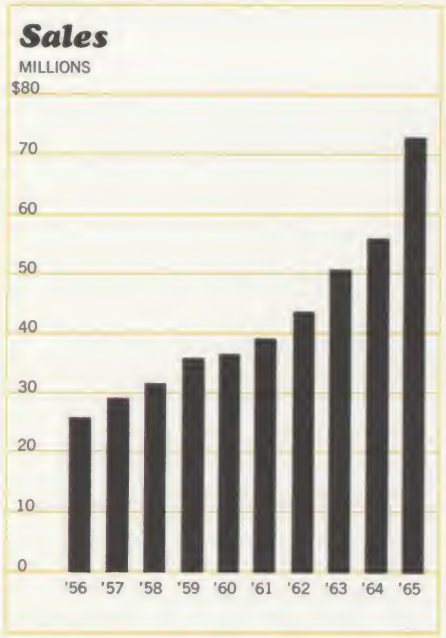
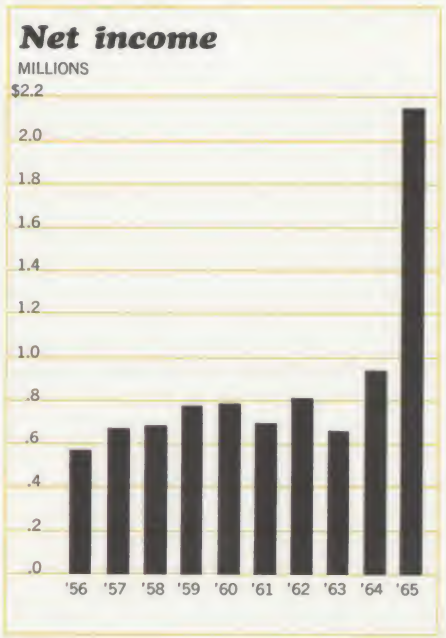
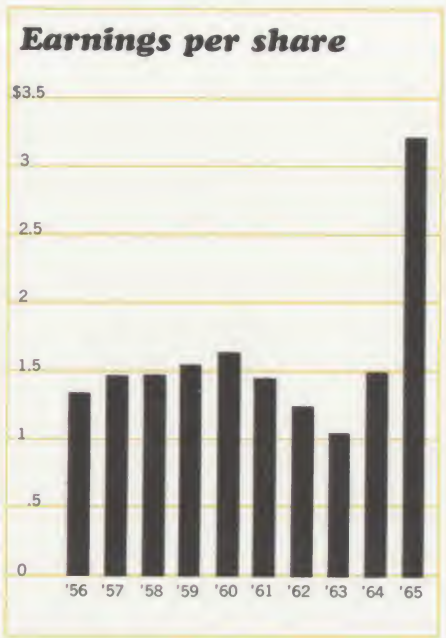


GRAY

GRAY DRUG STORES, INC. 1965 ANNUAL REPORT







Highlights of Operations

FISCAL YEARS ENDED JUNE 30	1965	1964	1963
Net Sales	$73,570,697	$57,320,337	$51,875,334
Net Income	$ 2,176,053	$ 946,404	$ 662,366
Net Income Per Share	$ 3.22	$ 1.50	$ 1.05
Dividends Per Share	$ .85	$ .80	$ .80
Working Capital	$12,431,574	$12,132,632	$11,692,984
Current Ratio	2.21 to 1	2.77 to 1	3.08 to 1
Shareholders Equity	$13,144,946	$10,783,652	$10,340,971

158 Stores and Leased Departments

Years Ended June 30	New Stores and Leased Departments	Stores and Leased Departments Closed or Sold	Total Stores and Leased Departments	Stores Remodeled and Enlarged
1961	14	8	117	11
1962	22	5	134	14
1963	28	10	152	13
1964	18	19	151	30
1965	25	18	158	39

Letter to Shareholders

Mr. Weinberger

Mr. Evans

Net income of Gray Drug Stores, Inc., increased 102 per cent to an all-time high of $2,044,379 or $3.03 a share during the fiscal year ended June 30, 1965, exclusive of non-recurring capital gains which added another $131,674 or 19 cents a share to the total.

Sales climbed 28.35 per cent to $73,570,697. This was the 15th consecutive year in which volume increased, and our sales today are more than triple those of 1956.

Working capital totaled $12,431,574 at the fiscal year-end, and current assets of $22,677,419 were in a 2.2 ratio to current liabilities of $10,245,845. Shareholder equity climbed to a record $13,144,946.

Net income exclusive of non-recurring capital gains from the sale of property was equal to 2.78 per cent of sales, compared with 1.65 per cent a year ago.

The progress of the past year represented a balanced combination of continuing improvement in our retail drug operations, the acquisition of the Rink's Department Stores chain, and very favorable economic conditions.

Exclusive of this acquisition, sales totaled $60,165,949, an increase of 4.96 per cent over the previous year, and net income was $1,477,411 or $2.19 a share, an increase of 46 per cent over a year ago. Rink's added $13,404,748 in sales and 84 cents a share in net income to the year's results.

The number of retail units operated by the Company totaled 158 at the fiscal year end. These were divided between four diversified types of sales outlets, including 109 regular drug stores, 17 discount drug stores, 26 leased departments in discount department stores and six Rink's junior department stores.

Our outlets are largely concentrated in Ohio and adjacent states, making us the dominant drug chain in the areas we serve. This concentration of facilities lends itself to efficient management. Also, as we increase penetration of metropolitan areas, our mass advertising becomes more effective.

Advertising expenditures of all divisions during the year amounted to $824,000. Our advertising is factual and dignified, but hard-hitting and effective in stressing the price advantages we offer consumers. Intensified advertising activities are playing an important role in our growth.

As a result of our improved profits and bright outlook, the quarterly dividend rate was raised from 20 cents a share to 25 cents a share, effective July 1, 1965. The indicated new rate of $1 a share is 25 per cent higher than the 80 cents paid during the past year.

Our basic foundation for additional progress has never before been as strong as it is today, and our record of 15 years of continuous expansion speaks for itself regarding the powerful forces for growth inherent in our internal operations.

All of the factors which contributed to the profit improvement of the past year reflect continuing trends, and two new elements have been added. One is the elimination of the excise tax on many of our products, which not only means lower prices to consumers, and possibly increased sales, but removes a burdensome and costly accounting problem. The other is the conclusion of a long period of extensive store alterations.

In addition to internal growth and profit progress, we remain interested in possible future acquisitions, and are in an excellent position to make these for cash if doing so appears desirable.

Our organization of 2700 men and women is experienced, capable, and enthusiastic. We are proud of our reputation for high standards of service in the ethical drug field and for product quality. Our new fiscal year is beginning at a very strong pace, and we anticipate new records in sales, net income and earnings per share.

Sincerely,

Adolph Weinberger

Adolph Weinberger, *Chairman*

Carlyle W. Evans, *President*

September 8, 1965

Rx for continuing progress

PRESCRIPTION GROWTH

Gray Drug is proud of the quality of service provided by the 350 graduate pharmacists in our large and modern prescription departments.

We filled 3,370,000 prescriptions last year, with a dollar volume of $10,500,000. Both figures were records.

The number of prescriptions sold at drug units in operation during both of the past two years increased 25.3 per cent.

This performance reflects our reputation for quality, our competitive ability, and our intensive program of keeping the public and the medical profession informed about the service standards and price advantages offered by our pharmaceutical departments.

Recognition of the attention we give to this phase of our business was provided by Chain Store Age in presenting Gray Drug with its national grand award as the large chain doing the best job in the prescription field. The award cited Gray Drug for its "all-inclusive prescription development program conducted with professionalism, dignity and vitality . . . for its outstanding volume increase, for its recognized low Rx pricing leadership."

Our growing prescription departments mean higher sales throughout all other areas of our stores, since prescription customers buy many other products. About half of our prescriptions are refills for people who come back to Gray Drug time and time again for this purpose.

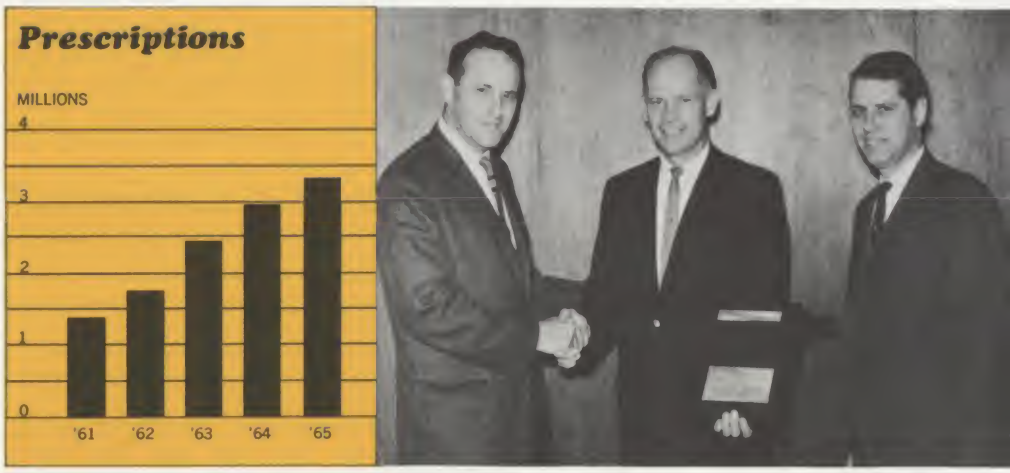
Our Manager of Prescription Operations is currently the President of the Ohio State Board of Pharmacy, and we consider the highest standards of pharmaceutical service to be a primary responsibility. This policy has resulted in continuing substantial growth of our prescription business over a long period.

THE GRAY DIVISION

The Gray Division, made up of 109 conventional drug stores with a volume of approximately $42,000,000 last year, is in an excellent position for continuing sales and profit progress.

Eight new stores were opened during the past year, including three shopping center stores acquired from another chain in Cincinnati. These give us a well-balanced geographical distribution throughout the Cincinnati area, where we now have 12 stores.

Large new stores ranging from 9,000 to 12,000 square feet in size were opened at shopping centers in Columbus, Mansfield and Canton, Ohio; and at Hollywood, Fla. In downtown Cleveland, a small old store was replaced with a large,



3,370,000 prescriptions were filled last year by the 350 pharmacists in our large, modern prescription departments, and we received the National Grand Award of Chain Store Age for the nation's most professional and dignified prescription advertising and development program. John Kern (center in photo), manager of Gray Drug prescription operations and president of the Ohio State Board of Pharmacy, is shown receiving the award from David Q. Mahler (left), publication director of Chain Store Age, and Arthur J. Schwalb, editor of the magazine's drug editions.

handsome new facility in the new 666 Building on Euclid Avenue.

Two drug stores were closed or sold during the past year and two stores were transferred to our King Division for conversion into discount drug units.

Our large modern drug stores, which carry about 25,000 different products each, represent many of the consumer growth markets which benefit most from increased individual spending power. Prescriptions are one example. Cosmetics are another.

In the past year alone, 36 cosmetic departments were remodeled to put a new emphasis on personal service in self-service stores.

Concentration on departments such as this, which offer the best profit and growth opportunities, is one reason for our current profit improvement. We also are giving increased emphasis to sundry merchandise departments such as glassware, kitchen aids, paper back books and giftware.

A growing family of products sold under our own brand name is providing another profitable new area of activity. These products are manufactured and packaged for us by leading drug and cosmetic manufacturers, and include such items as health and beauty aids, hair care products and hair sprays, vitamins, and aspirins. We are able to offer very high quality in these products with the competitive pricing possible in private label business. Of course, we also provide all of the nation's principal brand name products in these fields.

Continued tight controls over expenses and our retraining school for cashiers also have had an excellent influence on net income.

A large modern Gray Drug store requires a considerable staff; however, a substantial increase in sales usually can be handled with a relatively small rise in overhead, so that a little growth can have a big meaning in terms of net income per store.

Since so many of our stores are in shopping centers where traffic is still building up, and our promotional efforts are constantly generating additional store traffic, we feel that the potential for continuing improvement in profit margins is good.

A major remodelling program has been carried out during recent years at most of our stores . . . to feature the most profitable departments, to improve traffic flow and extend self-service features, and to modernize older stores. This work involved 23 stores during the past year alone.

As always, a number of new drug

stores are on our schedule. Three have already been opened during the current year. One is in Cincinnati. Another is a prescription store in a new medical building at Cleveland. The third, in a Buffalo suburb, is an interesting new experiment.

It is what we call a free-standing store, right next door to a large supermarket at a busy intersection. If this succeeds, it will mean that we can pick locations at will to blanket a city, without waiting for new shopping centers to be built. Also, rental of such stores is much less than at new shopping centers.

Other new stores scheduled for this year will be in a small existing shopping center at Youngstown; in the new Austin Square Mall at Barberton, Ohio; and in the Shore Acres shopping center at Miami Shores, Florida. This will be our third location in the Miami area.

Four other drug stores are already scheduled for the first part of 1967 at shopping centers in Akron, Elyria, Columbus and Marion, Ohio.

THE KING DIVISION

The profit contribution of our King Division and its discount operation was excellent this past year, increasing about 47 per cent over the preceding year. This is especially significant because volume for the year amounted to about $18,000,000, virtually the same as that of the preceding year, and we operated fewer units in the year just ended.

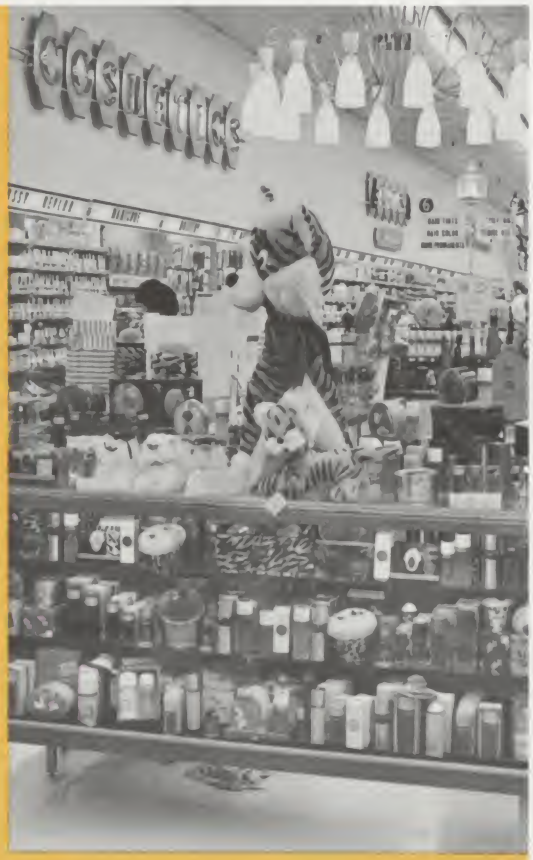
While a total of seven new units were opened during the past fiscal

Attractive Dutch Oven restaurant facilities are provided at a number of our stores.

About 25,000 products are offered in each of our regular drug stores.

Special departments provide neat, interesting display of merchandise to encourage impulse buying.

36 cosmetic centers were improved and enlarged during the past year.



New drug store in downtown Cleveland.

year, 14 were closed or sold so that at year-end we were operating 39 discount units . . . 15 leased drug and prescription departments in discount department stores, seven health and beauty aid departments, and 17 discount drug stores. We also remodeled 16 discount units.

The units disposed of in fiscal 1965 reflect the Company's policy of divesting itself of marginal or unprofitable operations as soon as possible. The speed with which this generally can be done is one of the great advantages of the discount drug business. Unlike large regular drug stores, the profit potential of a discount operation becomes apparent within a short period of time. If the location is a good one, a discount unit becomes profitable within three to four months. If it is not profitable, we quickly discontinue operations and the initial investment in facilities is small.

Discount drug store operation is considerably different from that of regular drug stores. Discount units, because the items they stock are limited to fast moving ones which are not seasonal, operate with far less overhead. Less space and personnel are required. The discount drug store, and even the drug department in a discount department store, are open fewer hours per week than the regular drug store.

One of our regular drug stores will be open about 90 hours a week. Our discount stores are open 60 hours a week, but during hours of peak activity. Located in downtown areas with pedestrian traffic, the

discount stores have hours which coincide with normal downtown shopping times.

A number of factors have contributed to the Company's success in the discount drug field. First is the fact the King Division is a part of one of America's largest drug store chains and is able to employ highly efficient management, financial and inventory controls such as extensive electronic data processing equipment, and centralized, volume purchasing.

The second factor is the type of operator with whom we are associated in the operation of leased departments. These include Woolco, a divison of The Woolworth Company, with whom we have three departments in operation and several more planned. Other operators are Clarkin's of Akron and Canton, Ohio, and Whitehall Discount in Columbus, Ohio, operated by Pick-n-pay Supermarkets.

Another important factor in the success of the King Division is the emphasis placed on prescription business, a direct carry-over from our years of experience in operating regular drug stores. In the fiscal year ended June 30, the King Division filled 1,176,000 prescriptions.

Our prescription departments, plus our ability to mount effective promotion programs, and the fact that we stock up to 25 per cent more merchandise than most of our discount competitors give the King Division a considerable competitive edge.

We look for and expect continuing growth in our discount operations. King Division volume during the current year is expected to rise to $21,000,000, an increase of more than 15 per cent, and the division's profit contributions should keep pace. Ten new units already are scheduled during the year now under way.

Superior Laboratories, Inc., a department of the King Division, is a highly specialized service segment of the Company, principally responsible for photographic development and for packaging of such items as prescription drugs for use in our stores.

Exposed film, deposited by customers in Company stores, is shipped to the Cleveland and Columbus laboratories where an average of 50,000 rolls a month are speedily processed and returned to customers. The fact that the Company itself can process film provides a higher profit from this business than would otherwise be possible.

To keep pace with the growing interest in photography, especially the use of color, the division's equipment is constantly being up-graded and increased. In the past fiscal year, an additional color printer, a color paper processor and new automatic equipment to make quality prints from color slides were added.

The laboratory facilities of the division enable us to take advantage

New Rink's junior department store at Evendale, near Cincinnati.

Pleasant, courteous, efficient service is a tradition at all of our stores.

of bulk purchase prices in obtaining drugs and other products and then repackage them ourselves.

RINK'S DEPARTMENT STORES

Rink's more than met our expectations during its first year as a part of Gray Drug.

Sales of its six large, attractive stores and four leased departments in other discount stores, totaled approximately $13,000,000. These stores, ranging in size from 45,000 to 107,000 square feet, offer a quality of service and product that makes them junior department stores of the highest type, rather than discount stores.

Rink's headquarters offices and warehouse facilities are in Cincinnati. Large stores are operated at Evendale, a Cincinnati suburb, and at Florence, Kentucky, near Cincinnati. Other stores are at Hamilton, Milford, Xenia and Dayton, Ohio.

Negotiations are in progress for two additional stores in the Cincinnati advertising area.

Through intensive promotion and good service, Rink's has built a fine image as a place where customers can buy with confidence and enjoy substantial savings. Products range from meats to mobile homes, from apparel to appliances.

At all the Rink's stores except Hamilton, which does not have sufficient room, our King Division operates very successful leased prescription, health and beauty aids departments.

Good progress has been made in linking Rink's administrative operations with those of Gray Drug, and improved financial controls are being introduced.

Rink's anticipates substantial internal growth during the coming year. Two of its stores, at Florence and Dayton, were just opened last September, and will have about three more months of operation this year than last.

All of the stores are in areas where population is building up rapidly, and the Rink's flair for merchandising is attracting more and more customers.

While primary attention to date has been devoted to programs aimed at building profit margins, new locations within range of the Cincinnati warehouse are being investigated, and we expect to open new stores as good opportunities arise

We believe the junior department store field is a promising one which opens up an entire new area of growth for Gray Drug.

GRAY
DRUG STORES, INC.

CONSOLIDATED BALANCE SHEET
Gray Drug Stores, Inc. and Subsidiaries

Assets

	JUNE 30, 1965	JUNE 30, 1964
CURRENT ASSETS		
Cash	$ 2,611,425	$ 2,276,177
United States Treasury Bills — at cost plus accrued interest	2,721,263	3,127,138
Accounts receivable, less allowance of $30,000	531,572	614,262
Inventories — priced generally on the basis of the lower of cost (latest) or replacement market	16,443,691	12,631,626
Prepaid expenses	369,468	322,615
TOTAL CURRENT ASSETS	$22,677,419	$18,971,818
OTHER ASSETS	314,209	87,630
FIXED ASSETS — on the basis of cost		
Land ($158,219) and buildings	$ 253,865	$ - 0 -
Furniture, fixtures and equipment	5,299,052	4,370,146
Leasehold improvements	2,735,080	2,454,004
	$ 8,287,997	$ 6,824,150
Less allowances for depreciation and amortization	3,691,610	3,259,222
	$ 4,596,387	$ 3,564,928
GOOD WILL — Note A	812,262	- 0 -
DEFERRED DEBENTURE EXPENSE	131,814	139,762
	$28,532,091	$22,764,138

NOTES TO FINANCIAL STATEMENTS

NOTE A — ACQUISITIONS AND GOOD WILL:

As of July 1, 1964, the Company acquired all of the outstanding stock of Rink's Department Stores, Inc., Hi-Code Trading Corporation, and Bargain City of Milford, Inc., for the sum of (1) $1,027,500 in cash, (2) 30,000 shares of its Common Stock and (3) additional payments to be based on net income of the acquired companies for a period of four years ending June 30, 1968. The accounts of these companies have been included in the consolidated financial statements since date of acquisition.

Good will at June 30, 1965, represents the excess of cost of investment to date over the book value of the stock acquired. Because there has been no diminution in the value attributable to good will, the Company does not now intend to amortize such amount.

NOTE B — 5% CONVERTIBLE SUBORDINATED DEBENTURES:

The Indenture under which the Debentures were issued provides for sinking fund payments on or before January 25 in each year commencing in 1967, in an amount sufficient to redeem $285,000 principal amount of Debentures.

Liabilities and Shareholders' Equity

	JUNE 30, 1965	JUNE 30, 1964
CURRENT LIABILITIES		
Trade accounts	$ 5,663,848	$ 3,507,178
Other liabilities and accrued expenses	2,283,440	1,827,728
Taxes other than federal taxes on income	425,626	312,933
Federal taxes on income — estimated	1,872,931	1,191,347
TOTAL CURRENT LIABILITIES	$10,245,845	$ 6,839,186
5% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1982 — Note B	5,141,300	5,141,300
SHAREHOLDERS' EQUITY		
Common Stock, par value $1 a share — Note B:		
Authorized 1,000,000 shares Outstanding 675,554 shares (1964 — 629,654 shares)	$ 675,554	$ 629,654
Capital in excess of par value	4,597,765	3,889,783
Earnings retained for use in the business — Note B	7,871,627	6,264,215
TOTAL SHAREHOLDERS' EQUITY	$13,144,946	$10,783,652
LONG-TERM LEASE COMMITMENTS — Note C		
	$28,532,091	$22,764,138

See notes to financial statements.

The Debentures are convertible into shares of Common Stock of the Company, at the option of the holder, at any time on or before February 1, 1982, at a conversion price (subject to adjustment in certain events) of $26 per share until February 1, 1967, $27 per share until February 1, 1972, and $28 per share thereafter until maturity. At June 30, 1965, 201,154 shares of Common Stock were reserved for conversion of the Debentures.

Under terms of the Indenture, earnings retained for use in the business in the amount of $4,320,638 at June 30, 1965, were available for distribution to shareholders.

The amount of Debentures outstanding at June 30, 1965, is after deducting Debentures in the amount of $88,700 held in the treasury.

NOTE C — LONG-TERM LEASE COMMITMENTS:

The companies are lessees under a number of leases extending from one to twenty-three years. The annual aggregate minimum rental payable under such leases (many of which provide for additional rental if amounts based on specific percentages of sales exceed the minimum) amounted to approximately $2,475,000 at June 30, 1965.

Statement of Consolidated Income and Earnings Retained for Use in the Business

Gray Drug Stores, Inc. and Subsidiaries

	YEAR ENDED JUNE 30, 1965	1964
Net sales	$73,570,697	$57,320,337
Other operating income — net	64,015	180,758
Other income	243,939	78,176
	$73,878,651	$57,579,271
Costs and expenses:		
Cost of goods sold	$49,482,246	$38,387,054
Selling, general, and administrative expenses	18,904,558	16,188,647
Depreciation and amortization	869,409	731,322
Interest expense	284,785	261,144
	$69,540,998	$55,568,167
INCOME BEFORE FEDERAL TAXES ON INCOME	$ 4,337,653	$ 2,011,104
Federal taxes on income — estimated	2,161,600	1,064,700
NET INCOME	$ 2,176,053	$ 946,404
Earnings retained for use in the business at beginning of year	6,264,215	5,821,534
	$ 8,440,268	$ 6,767,938
Cash dividends declared — $.85 a share (1964 — $.80 a share)	568,641	503,723
EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF YEAR	$ 7,871,627	$ 6,264,215

See notes to financial statements

Summary of Consolidated Source and Application of Funds

Gray Drug Stores, Inc. and Subsidiaries

	YEAR ENDED JUNE 30, 1965	1964
SOURCE OF FUNDS		
From operations:		
Net income	$ 2,176,053	$ 946,404
Depreciation and amortization (including $7,948 of deferred debenture expense in 1965 and 1964), which did not involve working capital	877,357	739,271
TOTAL FROM OPERATIONS	$ 3,053,410	$ 1,685,675
Proceeds from sale of Common Stock under option plan	258,882	- 0 -
Common Stock issued in connection with acquisition of certain companies	495,000	- 0 -
	$ 3,807,292	$ 1,685,675
APPLICATION OF FUNDS		
Expenditures for fixed assets	$ 1,014,504	$ 665,009
Book value of fixed assets of companies acquired	886,364	- 0 -
Cash dividends declared	568,641	503,723
Good will — excess of cost of investment to date over book value ($985,227) of stock of companies acquired	812,262	- 0 -
Principal amount of 5% Convertible Subordinated Debentures purchased and held in treasury	- 0 -	88,700
Increase in other assets	226,579	(11,405)
Added to working capital	298,942	439,648
	$ 3,807,292	$ 1,685,675

Statement of Consolidated Capital in Excess of Par Value

Gray Drug Stores, Inc. and Subsidiaries

	YEAR ENDED JUNE 30, 1965	1964
Balance at beginning of year	$ 3,889,783	$ 3,889,783
Excess of proceeds over aggregate par value of 15,900 shares of Common Stock sold under the Company's stock option plan	242,982	- 0 -
Excess of fair market value over aggregate par value of 30,000 shares of Common Stock issued in connection with acquisition of certain companies	465,000	- 0 -
Balance at end of year	$ 4,597,765	$ 3,889,783

See notes to financial statements.

Accountants' Report

Board of Directors
Gray Drug Stores, Inc.
Cleveland, Ohio

We have examined the consolidated balance sheet of Gray Drug Stores, Inc. and subsidiaries as of June 30, 1965, the related statements of consolidated income and earnings retained for use in the business, and of capital in excess of par value, and the summary of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earnings retained for use in the business and of capital in excess of par value present fairly the consolidated financial position of Gray Drug Stores, Inc. and subsidiaries at June 30, 1965, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. It is also our opinion that the accompanying summary of consolidated source and application of funds presents fairly the information therein shown.

Cleveland, Ohio
August 23, 1965

Ernst & Ernst

10 YEARS OF PROGRESS

	1965	1964	1963	1962	1961	1960
Net Sales	$73,570,697	$57,320,337	$51,875,334	$44,952,417	$39,626,661	$37,552,700
Net Income Before Federal Taxes on Income	$ 4,337,653	$ 2,011,104	$ 1,399,066	$ 1,611,213	$ 1,467,793	$ 1,673,989
Net Income	$ 2,176,053	$ 946,404	$ 662,366	$ 801,113	$ 707,793	$ 793,989
Income per Common Share (1)	$ 3.22	$ 1.50	$ 1.05	$ 1.27	$ 1.42	$ 1.63
Income as a Percentage of Sales	2.96%	1.65%	1.28%	1.78%	1.78%	2.12%
Income as a Percentage of Shareholders Equity	16.55%	8.78%	6.41%	7.87%	9.04%	10.82%
Cash Dividends Declared — Common Stock	$ 568,641	$ 503,723	$ 503,723	$ 476,335	$ 393,062	$ 323,850
Dividends Per Share (1)	$ .85	$ .80	$ .80	$ .80	$ .80	$ .66⅔
Number of Shares Issued (1)	675,554	629,654	629,654	629,654	496,762	485,775
Net Working Capital	$12,431,574	$12,132,632	$11,692,984	$11,599,620	$ 6,218,365	$ 6,087,245
Total Assets	$28,532,091	$22,764,138	$21,203,745	$20,296,698	$14,195,991	$14,114,536
Long Term Debt	$ 5,141,300	$ 5,141,300	$ 5,230,000	$ 5,230,000	$ 2,139,200	$ 2,313,500
Shareholders Equity	$13,144,946	$10,783,652	$10,340,971	$10,182,328	$ 7,826,699	$ 7,338,099
Book Value per Share (1)	$ 19.46	$ 17.13	$ 16.42	$ 16.17	$ 15.76	$ 15.11
Fixture and Leasehold Additions	$ 1,184,347	$ 813,084	$ 923,337	$ 713,221	$ 901,411	$ 748,758
Depreciation	$ 869,409	$ 731,322	$ 758,985	$ 667,295	$ 663,750	$ 633,483
Units in Operation — End of Year	158	151	152	134	117	111

(1) Based upon the number of shares outstanding at the end of each year adjusted to reflect a stock split of 3 for 1 on September 30, 1960.

1959	1958	1957	1956
$35,991,537	$32,249,706	$29,333,474	$25,543,059
$ 1,607,591	$ 1,371,322	$ 1,404,880	$ 1,206,429
$ 768,591	$ 692,322	$ 690,880	$ 576,429
$ 1.58	$ 1.48	$ 1.47	$ 1.31
2.14%	2.15%	2.36%	2.25%
11.20%	11.06%	11.95%	11.20%
$ 256,720	$ 218,718	$ 208,928	$ 161,618
$ .53⅓	$ .46⅔	$ .46⅔	$ .36⅔
485,775	469,242	468,492	440,775
$ 5,630,703	$ 3,691,958	$ 3,509,318	$ 3,389,227
$13,262,079	$11,195,293	$ 9,883,411	$ 9,069,108
$ 2,313,500	$ 531,426	$ 576,377	$ 758,554
$ 6,867,960	$ 6,259,195	$ 5,781,497	$ 5,146,538
$ 14.14	$ 13.34	$ 12.34	$ 11.68
$ 985,427	$ 903,700	$ 786,314	$ 467,887
$ 575,139	$ 507,717	$ 465,372	$ 451,573
107	102	86	81

GRAY
DRUG STORES, INC

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Vice-President, Gray Drug Stores, Inc.

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President, Superior Laboratories, Inc.

TRANSFER AGENT AND REGISTRAR

THE CLEVELAND TRUST COMPANY
Cleveland, Ohio

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ERNST & ERNST
Cleveland, Ohio

COUNSEL

JONES, DAY, COCKLEY and REAVIS
Cleveland, Ohio

STOCK LISTED

MIDWEST STOCK EXCHANGE
Chicago, Illinois

MAIN OFFICE AND WAREHOUSE

2400 Superior Ave., Cleveland, Ohio 44114

GRAY